Credit, the issue was referred to Reserve Bank of India who advised that a Bank Guarantee is issued by a bank in favour of a beneficiary of the performance of certain acts by the customers of the banks in the form of a performance guarantee or a financial guarantee and is general in nature and cannot replace Letter of Credit mechanism as detailed in ICC Uniform Customs and Practice for Documentary Credit (UCP 500). A Letter of Credit is always trade related and opened by the buyer of goods favouring seller indicating the terms of the contract fulfilment of which enables the seller to receive payment form the bank in his country without waiting for the payment by buyer. A buyer may settle for a bank guarantee if he has confidence in the supplier. For the purpose of extending benefits, however, no distinction may be made between bank guarantee and L/C, as both are treated as securities for receivables.

The advice of RBI was examined in depth and it was decided not to modify or relax the existing provisions since the irrevocable L/C is time tested and universally accepted in foreign trade.

VRS in MMTC and STC

1246. SHRI MURLI DEORA: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether STC and MMTC have introduced VRS for their employees and if so, the amount paid, separately;

(b) the formula adopted for making payment and how it contravened the scheme given by the Department of Public Enterprises; and

(c) the reasons for variance and the excess amount made if the payment had been made on the basis of the scheme given by the Department of Public enterprises?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI SATYABRATA MOOKHERJEE): (a) Yes, Sir. MMTC & STC have been introducing VRS from time to time. After introduction of new VRS by Department of Public Enterprises (DPE) on 5th May, 2000 for Public Sector Undertakings, the amount paid by MMTC and STC as ex-gratia on introduction of VRS is as under:—

(Rs. in crores)

Year	MMTC	STC
2000-01	24.05	22.00
2001-02	—	—
2002-03	12.22	16.44

(b) and (c) The ex-gratia benefit under Voluntary Retirement Package was extended @ 60 days emoluments (Basic pay + DA) for each completed year of service or parts thereof at the time of retirement or emoluments (Basic pay+DA), multiplied by the balance months of service left before normal date of retirement, whichever is less, as per DPE's. guidelines. Terminal benefits were in addition to the VRS compensation.

To attract more employees to opt for VRS in the wake of MMTC & STC having been listed for disinvestment, the ex-gratia calculation was done on the basis of 26 days as a month in consonance with an illustration of computation given in DPE's guidelines dated 8th December, 2000. DPE modified the scheme on 6.11.2001 and *inter alia* clarified that the month had to be reckoned as 30 days for computation of voluntary retirement compensation and the employees who have already been released by the PSUs before the date-of issue of this clarification, shall not be covered under the modified scheme. After the receipt of above clarification, MMTC and STC have computed ex-gratia on the basis of 30 days as a month.

Construction of Warehouse by STC at Kakinada Port

1247. SHRI MURLI DEORA: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether STC started construction of a warehouse at Kakinada Port in 1997;

(b) if so, the details thereof including the amount spent thereon;

(c) whether the warehouse was fully utilised for the purpose for which it was built;

(d) if not, the reasons therefor and what was the percentage of utilisation;